

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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In re	:	
	:	Chapter 11 Case No.
	:	
SILICON GRAPHICS, INC., <i>et al.</i> ,	:	06-10977 (BRL)
	:	
Debtors.	:	(Jointly Administered)
	:	
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**DECLARATION OF EDWARD M. RIMLAND IN SUPPORT  
OF CONFIRMATION OF THE DEBTORS' FIRST AMENDED  
JOINT PLAN OF REORGANIZATION UNDER  
CHAPTER 11 OF THE BANKRUPTCY CODE DATED JULY 27, 2006**

Edward M. Rimland, makes this declaration, and says:

1. I am a Senior Managing Director in the Investment Banking Group at Bear, Stearns & Co. Inc. ("Bear Stearns"). By order dated July 27, 2006, the Court approved the retention of Bear Stearns by Silicon Graphics, Inc. ("Silicon Graphics") and certain of its direct and indirect subsidiaries in the above-referenced chapter 11 cases, as debtors and debtors in possession (collectively, the "Debtors") to render investment banking and financial advisory services to the Debtors.

2. I submit this declaration in support of confirmation of the Debtors' First Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code dated July 27, 2006 (as may be amended, the "Plan").<sup>1</sup> Unless otherwise stated, I have personal knowledge of the facts stated in this declaration.

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<sup>1</sup> Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to such terms in the Plan.

3. I have played a significant role in numerous M&A transactions, particularly in the technology industry, advising acquirers and targets in a wide array of matters, and have experience working with companies in distressed situations. In addition to representing the Debtors in their restructuring, current and recent restructuring assignments that I or other Bear Stearns professionals have been involved with include: Adelphia Communications Corp., aaiPharma Inc., Nextwave Telecom, Inc., IWO Holdings, Nextel International, Proxim Communications, Andersen Worldwide, Iusacell, American Cellular, and iPCS.

#### **Valuation Analysis**

4. In connection with the Debtors' efforts to formulate and implement a plan of reorganization, the Debtors requested that Bear Stearns perform a valuation analysis of the Reorganized Debtors. I have been directly involved in the preparation by professionals at Bear Stearns of an analysis of the Reorganized Debtors' theoretical total enterprise value on a going concern basis upon the Reorganized Debtors' emergence from chapter 11. In preparing the analysis, we used an assumed effective date of September 29, 2006. We prepared the analysis based on the Debtors' financial projections and financial and market conditions prevailing as of June 30, 2006. In July 2006, we completed such valuation analysis (hereinafter, the "July 2006 Valuation").

5. In preparing the July 2006 Valuation, Bear Stearns, among other things, (i) reviewed internal financial and operating data of the Debtors; (ii) discussed the current operations and prospects of the Debtors with certain senior executives; (iii) reviewed operating and financial forecasts prepared by the Debtors, including the Projections (as defined in the Disclosure Statement); (iv) discussed key assumptions

related to the Projections with the Debtors; (v) prepared discounted cash flow analyses based on the Projections, utilizing various discount rates and terminal value multiples; (vi) considered the prevailing trading multiples of certain publicly-traded companies in businesses reasonably comparable to the operating businesses of the Debtors; (vii) considered the transaction multiples of acquisitions involving companies in businesses reasonably comparable to the operating businesses of the Debtors; (viii) considered the indications of interest received from various third parties regarding a transaction with the Debtors; (ix) considered the results of estimates of value for certain non-core assets, including non-core intellectual property and certain litigation claims, prepared by the Debtors' management and CRA International, Inc. ("CRA"); and (x) considered such other analyses as we deemed appropriate and necessary under the circumstances.

6. Based on the foregoing, we provided an estimate to the Debtors that the total enterprise value on a "reorganization value" basis for the Reorganized Debtors as of an assumed effective date of September 29, 2006 is between \$210 million and \$275 million, with a midpoint of \$242.5 million. The total enterprise value assumes, among other things, the estimates by CRA of the orderly liquidation value of certain non-core intellectual property assets over a reasonable period of time of \$15.8 million to \$27.2 million. Based upon the foregoing midpoint total enterprise value and the deduction of a net amount of \$63.4 million comprising of the aggregate of the estimate by the Debtors' management and advisors of net debt at exit and the value of certain DRAM claims, we provided an estimate to the Debtors of a new equity value of \$179.1 million. This estimated range of values represents a hypothetical value that reflects the estimated intrinsic value of the Debtors derived through the application of various valuation

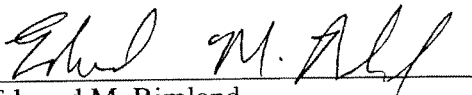
methodologies. The estimated new equity value does not purport to be an estimate of a post-reorganization trading value. To the extent a market can be found for the Reorganized Debtors' equity securities, trading values may be materially different from the implied equity value ranges associated with our analysis.

7. In conducting the July 2006 Valuation, we have relied upon and assumed the accuracy and completeness of information furnished by the Debtors and third parties and all publicly available information. We did not attempt to independently audit or verify any such information, nor did we make an independent appraisal of the assets or liabilities of the Debtors. We have discussed financial forecasts with the Debtors' management and, with respect to such forecasts, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of management of the Debtors and their advisors as to the future financial performance of the Reorganized Debtors. We have relied upon the assurances of the Debtors' senior management that they are unaware of any facts that would make the information incomplete or misleading.

8. The estimates contained in our analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly different from those suggested by the analyses. As previously noted, in addition to the assumptions and qualifications herein, the valuation analyses are subject to the assumptions and qualifications set forth in the Disclosure Statement.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 15 day of September, 2006.

  
Edward M. Rimland  
Senior Managing Director  
Bear, Stearns & Co. Inc.